

Audited Financial Statements

Mid Michigan Community College

Years ended June 30, 2006 and 2005

Mid Michigan Community College

Audited Financial Statements

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Report of Independent Auditors

Board of Trustees
Mid Michigan Community College

We have audited the accompanying financial statements of Mid Michigan Community College (the College) as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid Michigan Community College as of June 30, 2006 and 2005 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2006 on our consideration of Mid Michigan Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 3 to 11 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mid Michigan Community College financial statements. The other supplemental information as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Andrews Hopper & Pavlik P.L.C.

Saginaw, Michigan
September 21, 2006

The discussion and analysis of Mid Michigan Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2006. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

In June 1999, GASB released statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Changes in Statement No. 34 require a comprehensive one-line look at the entity as a whole including capitalization and depreciation of assets. In November 1999, GASB issued Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities", which applies these standards to public colleges and universities. The State of Michigan has adopted these standards and therefore, has revised and issued the *Manual for Uniform Financial Reporting for Michigan Public Community Colleges, 2001*.

The major changes from the fund basis financial statements presented by the College in the past and the "one-line look at the entity as a whole" are as follows:

- New reporting standards – Balance Sheet, Statement of Revenue, Expenses, and Changes in Net Assets, Statement of Cash Flows
- Recording depreciation expense and accumulated depreciation in the Statement of Revenue, Expenses, and Changes in Net Assets and the Balance Sheet
- Allocation of summer school revenue and expenses between fiscal years instead of deferring the entire session
- Establishing an operating and nonoperating basis of reporting whereby revenue that are charges for services are recorded as operating revenue. Essentially all other types of revenue are nonoperating or other revenue
- Netting tuition and fees for scholarship allowances that were also reported as federal and state grant revenue

In May 2002, GASB released Statement No. 39, "Determining Whether Certain Organizations are Component Units." Statement No. 39 requires that separate legal entities associated with a primary government that meet certain criteria be blended with the financial statements of the Primary Reporting Unit. In compliance with this Statement, the Mid Michigan Community College Foundation is reported as a component unit of the College and its financial activity has been blended with those of the College.

This annual financial report includes the report of independent auditors, management's discussion and analysis, the financial statements in the format described above, and notes to the financial statements. Following the financial statements and footnotes are two supplementary schedules, the Consolidated Balance Sheet and the Consolidated Statement of Revenue,

Expenses and Transfers and Changes in Net Assets. These additional schedules are required by the State of Michigan for a three-year period during which public colleges and universities are transitioning to the new reporting format. After that time, the schedules will no longer be required. Though the Governmental Accounting Standard Board does not require this information be presented for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College that is not disclosed in the basic financial statements.

Financial Highlights

The Balance Sheet and the Statement of Revenue, Expenses, and Changes in Net Assets report information on the College as a whole. These statements report the College's financial position as of June 30, 2006 and 2005 and change in net assets for the years then ended. The College's financial position remained strong at June 30, 2006 with assets of \$27.8 million and liabilities of \$4.6 million. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, increased \$1.85 million, primarily the result of increased revenue as noted throughout this analysis. At June 30, 2005, the College had assets of \$25.5 million and liabilities of \$4.2 million. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, increased \$3.7 million primarily the result of increased revenue.

The College's financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenue and expenses are recorded as incurred regardless of when cash is received or paid. Revenue and expenses are separated into categories of operating revenue and nonoperating.

Operating Revenues

Operating revenue include charges for all exchange transactions such as tuition and fees, the sale of books and supplies, and certain federal, state and private grants that were considered a contract for services. Operating revenue consist of the following:

	Year ended June 30		
	2006	2005	2004
Tuition and fees	\$ 5,933,359	\$ 5,504,456	\$ 3,843,236
Federal grants and contracts	4,133,237	3,837,393	3,821,657
State grants and contracts	776,516	690,283	590,691
Nongovernmental grants	49,688	53,262	534,592
Auxiliary enterprises	2,077,369	1,873,487	1,767,761
Miscellaneous	332,827	288,962	257,326
Total operating revenue	<u>\$13,302,996</u>	<u>\$12,247,843</u>	<u>\$10,815,263</u>

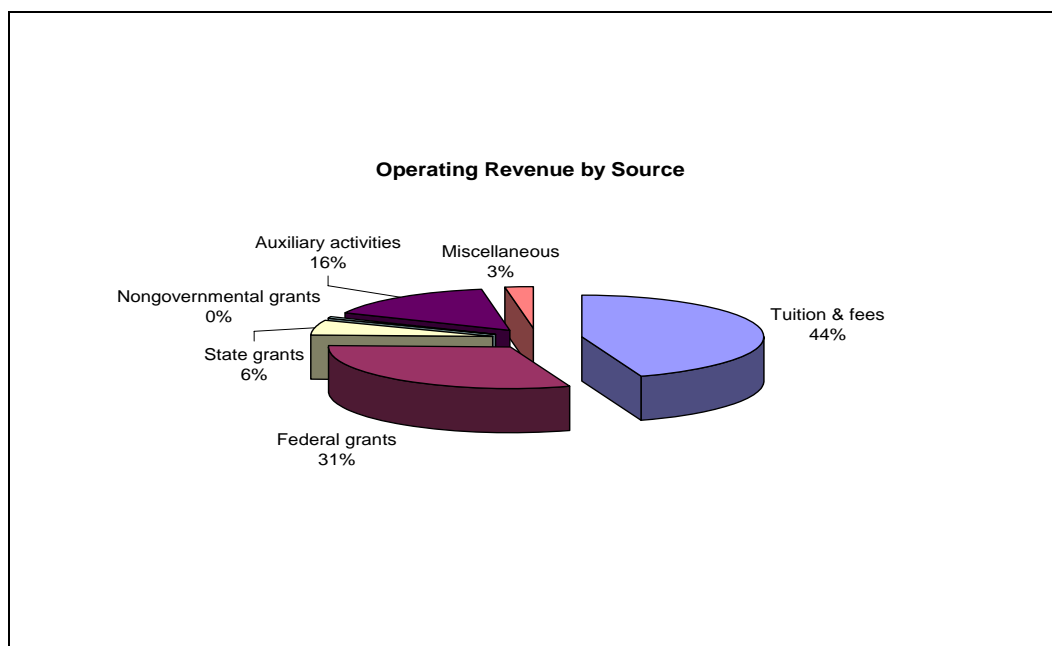
2006 operating revenue changes were the result of the following:

- Student tuition and fees revenue increased by approximately \$428,900. This was due to a 5% increase in enrollment from the prior year combined with a \$1.44 per in-district billable contact hour and a \$2.55 per out-district billable contact hour increase effective with the summer 2005 term. Effective for the 2006 winter term there was another \$1.45 per in-district billable contact hour increase. Additionally, the facility fee which is assessed on all out-district billable contact hours increased from \$5 per hour to \$7.50 per contact hour effective for the 2006 winter term and to \$10 per contact hour for the 2006 spring term.
- Grant revenue totaled \$4,959,441 representing an increase of \$378,503. This increase was due primarily to additional student financial aid program revenue and State EDJT grants obtained in 2006.
- Auxiliary enterprises revenue increased \$203,882 to \$2,077,369. This was due to an increase in Bookstore revenue.

2005 operating revenue changes were the result of the following:

- Student tuition and fee revenue increased by approximately \$1,661,000. This was due to a 7% increase in enrollment from the prior year combined with a \$1.36 per in-district billable contact hour and a \$5.45 per out-district billable contact hour increase effective with the summer 2004 term. In addition, this was the third year of a three year conversion plan to move from credit hour billing to weekly contact hour billing, contributing approximately a 10% increase in billable hours.
- Grant revenues totaled \$4,527,676 representing an increase of \$115,328. This increase was due primarily to additional student financial aid program revenue and State EDJT grants obtained in 2005.
- Auxiliary enterprises revenue increased \$105,726 to \$1,873,487. This was due to an increase in Bookstore revenue.

The following is a graphic illustration of operating revenue by source for the year ended June 30, 2006:



Operating Expenses

Operating expenses are all the costs necessary to provide services and conduct the programs of the College. Operating expenses consist of the following:

	Year ended June 30		
	2006	2005	2004
Instruction	\$ 5,275,893	\$ 4,911,935	\$ 4,408,849
Informational technology	505,567	—	—
Public services	876,337	893,907	1,275,685
Instructional support	1,842,871	1,487,592	1,404,137
Student services	5,448,203	5,033,951	4,298,941
Institutional administration	1,591,298	2,127,489	1,795,187
Operation and maintenance of plant	1,612,274	1,891,209	1,785,924
Depreciation	794,952	740,082	667,352
Other expenditures	—	—	56,875
Total operating expenses	\$17,947,395	\$17,086,165	\$15,692,950

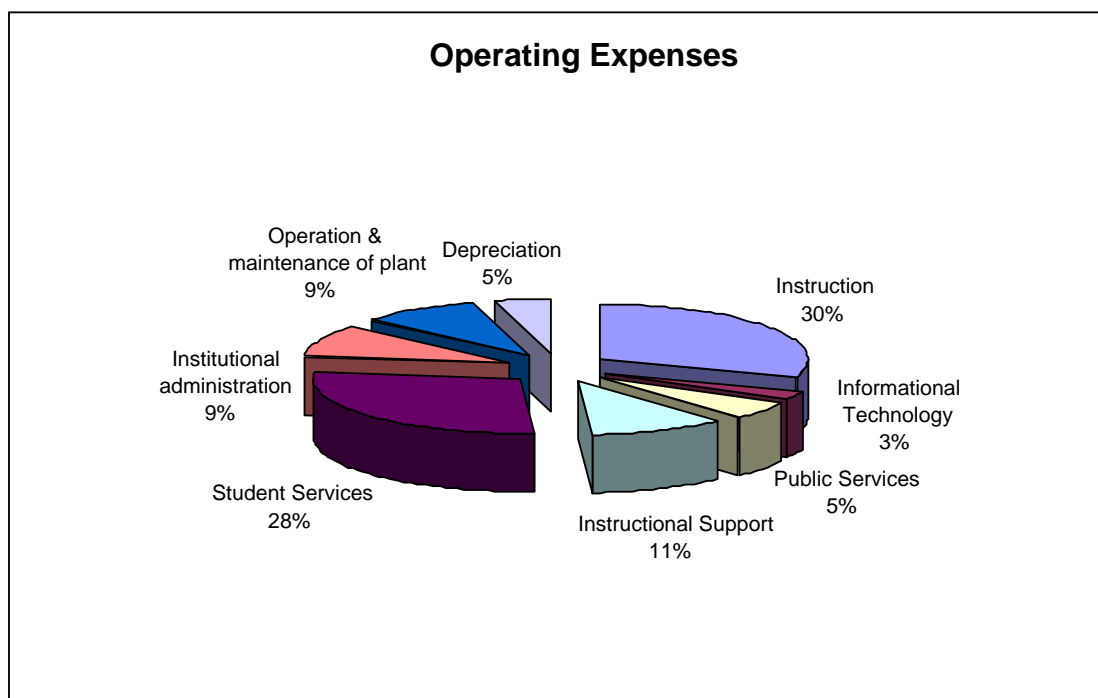
2006 operating expense changes were the result of the following factors:

- There was an average 2.65% increase in salaries and 9.5% increase in health care benefits for all full time employees.
- Instruction expenses increased to support an enrollment increase of 5% for the year as well as the addition of four new full time faculty positions.
- Operation and maintenance of plant expenses decreased due to several capital projects that were completed during the year including the boiler replacement on the Harrison Campus. Several smaller projects were completed in 2005 that did not require capitalization.
- Auxiliary enterprise costs increased due to increased sales volume in the bookstore.
- Student services costs increased approximately \$414,000 primarily due to increased financial aid awards that were refunded to students.

2005 operating expense changes were the result of the following factors:

- There was an average 2.5% increase in salaries and 12% increase in health care benefits for all full time employees.
- Instruction expenses increased to support an enrollment increase of 7% for the year as well as an increase in the rate of pay for adjunct instructors.
- Operation and maintenance of plant increased due to several deferred maintenance projects that were completed during the year.
- The decrease in public service costs is due to several local grants awarded and expended in 2004 including a \$350,000 grant to renovate the Harrison Campus Library that was not repeated in 2005.
- Auxiliary enterprise costs increased due to increased sales volume in the bookstore.
- Student service costs increased approximately \$750,000 primarily due to increased financial aid awards that were refunded to students.

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2006:



Nonoperating Revenue

Nonoperating revenue represent all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue and investment income (including realized and unrealized gains and losses).

Nonoperating revenue were comprised of the following:

	Year ended June 30		
	2006	2005	2004
State appropriations	\$4,031,300	\$4,038,622	\$5,643,130
Property tax levy	2,003,811	1,885,260	1,794,848
Investment income	238,233	158,226	78,148
Unrealized gain (loss) on investments	12,186	23,967	11,941
Miscellaneous	49,878	63,887	9,049
Interest on capital asset-related debt	(25,257)	(24,270)	(43,781)
Gifts	191,643	2,437,826	138,120
Total nonoperating revenue	\$6,501,794	\$8,583,518	\$7,631,455

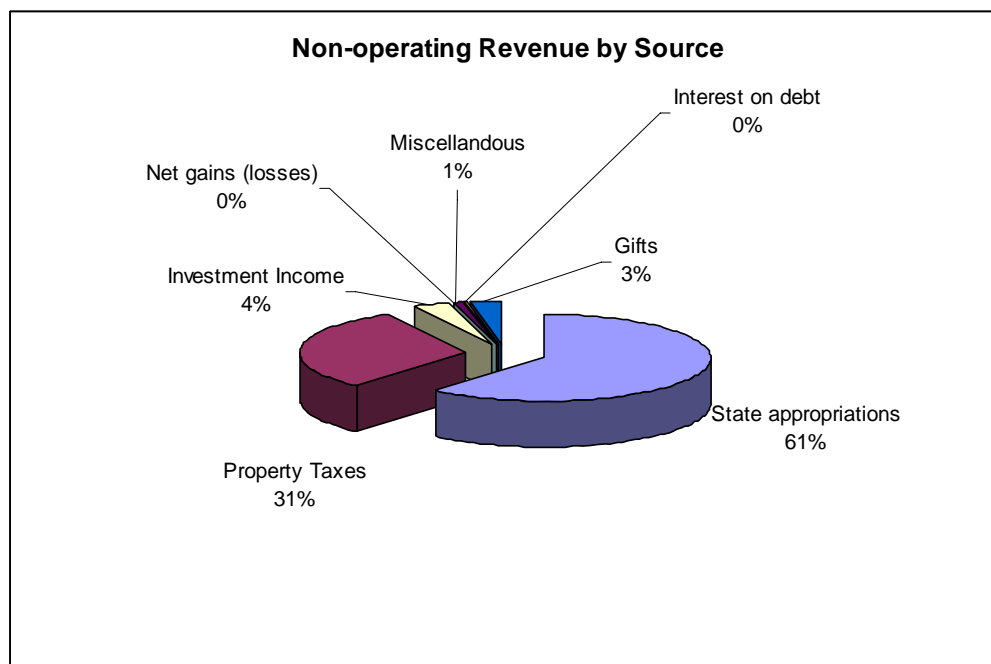
2006 nonoperating revenue changes were the result of the following factors:

- Property taxes increased by \$118,551 or 6%. The taxable value of property in the county increased by 10%. This increase was partially offset by the rollback of the operating tax rates as required by the Headlee amendment.
- State budgetary constraints resulted in State appropriations consistent with 2005 levels.
- Investment income increased 50% as a result of increased investment activities at higher yields.
- Gift revenue decreased due to securing \$2,350,000 in grants from the Dow Foundations in 2005 to be used in the construction and furnishing of the new Mt. Pleasant Science and Technology Center. There were no corresponding new gifts secured in 2006.

2005 nonoperating revenue changes were the result of the following factors:

- Property taxes increased by \$90,412 or 5%. The taxable value of property in the county increased by 6.4%. This increase was partially offset by the rollback of the operating tax rates as required by the Headlee amendment.
- State budgetary constraints resulted in a decrease in State appropriations of \$22,000 or .5%. This decrease was compounded by the unrepeatable Capital Outlay appropriation of \$1,582,508 for construction of the Student Orientation and Academic Readiness Center in 2004.
- Investment income increased 102% as a result of increased investment activities at higher yields within the College Foundation accounts and the realized gain on the sale of Dow stock which had been held by the College for over thirty years.
- Gift revenue increased due to securing a \$2,350,000 grant from the Dow Foundations to be used in the construction and furnishing of the new Mt. Pleasant Science and Technology Center.

The following is a graphic illustration of nonoperating revenue by source for the year ended June 30, 2006:



Other Revenue

Other revenue consists of items that are typically nonrecurring, extraordinary or unusual to the College.

Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also may help users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Net cash used for operating activities totaled \$1,864,984. This was financed by \$6,404,882 of net cash flows from non-capital financing activities such as property tax levy and State appropriations. Net cash used for capital and related financing activities totaled \$4,528,124 during 2006. This includes \$4,407,474 in capital additions and \$95,000 of debt principal payments. Net cash provided by investing activities totaled \$561,312. This includes interest received during 2006 of \$250,419 and net sales of investments totaling \$310,893. The net result of all cash flows is an increase in cash of \$573,088 from 2005.

Capital Assets

At June 30, 2006, the College had \$13,858,332 invested in capital assets, net of accumulated depreciation of \$12,451,429. Depreciation charges totaled \$794,952 for the current fiscal year.

At June 30, 2005, the College had \$10,245,810 invested in capital assets, net of accumulated depreciation of \$11,688,497. Depreciation charges totaled \$740,082 for 2005.

More detailed information about the College's capital assets is presented in the notes to the financial statements.

Debt

As of June 30, 2006, the College had \$735,000 in debt outstanding. As of June 30, 2005, the College had \$830,000 in debt outstanding. Subsequent to June 30, 2006, the College issued \$5.5 million in General Obligation-Limited Tax bonds.

The College's general obligation unlimited tax bond rating of "A" was unchanged from the prior year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements. Subsequent to June 30, 2006 the College's rating was Aaa in conjunction with the issuance of the 2006 bonds.

Economic Factors That Will Affect The Future

The economic position of the College is closely tied to that of the State of Michigan. Because of limited economic growth and increased demand for state resources from federal mandates, the current state budget projects funding to Community Colleges in the 2006-07 fiscal year will be slightly greater than the year just completed. Appropriations for the 2006-07 fiscal year are set at \$4,079,100 an increase of \$80,000 from 2005-06 appropriations. In addition, the Board of Trustees approved an increase of 5% in tuition rates effective with the 2006 fall term.

The College's current financial and capital plans indicate that the infusion of additional financial resources from the foregoing actions will enable it to maintain its present level of services.

Mid Michigan Community College

Balance Sheets

	June 30	
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,845,823	\$ 4,272,735
Short-term investments	2,012,261	1,665,239
Property taxes receivable	33,333	56,432
State appropriations receivable	727,108	707,908
Student receivables	2,165,256	1,633,916
Accounts receivable (net of allowance of \$71,349 in 2006 and \$60,000 in 2005)	341,500	285,718
Private grants receivable	32,105	—
Federal and state grants receivable	227,036	2,439,646
Inventories	294,411	208,119
Pledges receivable	588,550	886,136
Prepaid expenses and other assets	320,674	274,801
Total current assets	11,588,057	12,430,650
Long-term investments	772,681	1,430,596
Pledges receivable, long-term	1,596,257	1,423,024
Capital assets, net	13,858,332	10,245,810
Total assets	\$27,815,327	\$25,530,080
Liabilities and net assets		
Current liabilities:		
Current portion of debt obligations	\$ 95,000	\$ 95,000
Accounts payable	377,698	498,202
Accrued interest payable	3,893	4,286
Accrued payroll and other compensation	940,811	938,532
Deferred revenue	2,585,676	1,944,206
Total current liabilities	4,003,078	3,480,226
Long-term debt obligations	640,000	735,000
Total liabilities	4,643,078	4,215,226
Net assets:		
Invested in capital assets, net of related debt	13,123,333	9,415,810
Restricted for:		
Nonexpendable scholarships	500,825	499,766
Expendable scholarships	619,847	522,050
Expendable grants	2,249,408	2,367,534
Capital projects	735,000	830,000
Unrestricted	5,943,836	7,679,694
Total net assets	23,172,249	21,314,854
Total liabilities and net assets	\$27,815,327	\$25,530,080

See notes to financial statements.

Mid Michigan Community College

Statements of Revenue, Expenses and Changes in Net Assets

	Year ended June 30	
	2006	2005
Revenue		
Operating revenue:		
Tuition and fees (net of scholarship allowance of \$2,347,209 in 2006 and \$2,147,568 in 2005)	\$ 5,933,359	\$ 5,504,456
Federal grants and contracts	4,133,237	3,837,393
State grants and contracts	776,516	690,283
Nongovernmental grants	49,688	53,262
Auxiliary enterprises	2,077,369	1,873,487
Miscellaneous	332,827	288,962
Total operating revenue	13,302,996	12,247,843
Expenses		
Operating expenses:		
Instruction	5,275,893	4,911,935
Informational technology	505,567	—
Public services	876,337	893,907
Instructional support	1,842,871	1,487,592
Student services	5,448,203	5,033,951
Institutional administration	1,591,298	2,127,489
Operation and maintenance of plant	1,612,274	1,891,209
Depreciation	794,952	740,082
Total operating expenses	17,947,395	17,086,165
Operating loss	(4,644,399)	(4,838,322)
Nonoperating revenue (expenses)		
State appropriations	4,031,300	4,038,622
Property tax levy	2,003,811	1,885,260
Investment income	238,233	158,226
Unrealized gain on investments	12,186	23,967
Miscellaneous	49,878	63,887
Interest on capital asset-related debt	(25,257)	(24,270)
Gifts	191,643	2,437,826
Net nonoperating revenue	6,501,794	8,583,518
Income before other revenue	1,857,395	3,745,196
Other revenue		
Additions to permanent endowments	—	2,797
Increase in net assets	1,857,395	3,747,993
Net assets at beginning of year	21,314,854	17,566,861
Net assets at end of year	\$23,172,249	\$21,314,854

See notes to financial statements.

Mid Michigan Community College

Statements of Cash Flows

	Year ended June 30	
	2006	2005
Cash flows from operating activities		
Tuition and fees	\$ 5,987,706	\$ 5,438,778
Grants and contracts	7,139,947	3,956,545
Payments to suppliers	(6,859,264)	(7,392,583)
Payments to employees	(10,457,277)	(8,926,634)
Auxiliary enterprises	1,991,077	1,885,044
Miscellaneous	332,827	288,962
Net cash used in operating activities	(1,864,984)	(4,749,888)
Cash flows from non-capital financing activities		
State appropriations	4,012,100	4,159,814
Property tax levy	2,026,910	1,831,053
Gifts	315,997	163,151
Miscellaneous	49,877	63,893
Private gifts for endowment purposes	—	2,797
Net cash provided by non-capital financing activities	6,404,884	6,220,708
Cash flows from capital and related financing activities		
Purchase of capital assets	(4,407,474)	(1,089,607)
Principal paid on capital debt	(95,000)	(95,000)
Interest paid on capital debt	(25,650)	(23,593)
Net cash used in capital and related financing activities	(4,528,124)	(1,208,200)
Cash flows from investing activities		
Interest on investments	250,419	182,193
Redemption (purchase) of investments, net	310,893	(2,487,192)
Net cash provided by (used in) investing activities	561,312	(2,304,999)
Net increase (decrease) in cash and cash equivalents	573,088	(2,042,379)
Cash and cash equivalents at beginning of year	4,272,735	6,315,114
Cash and cash equivalents at end of year	\$ 4,845,823	\$ 4,272,735

See notes to financial statements.

Mid Michigan Community College

Statements of Cash Flows (continued)

	Year ended June 30	
	2006	2005
Reconciliation of net operating revenue (expenses) to net cash used in operating activities		
Operating loss	\$ (4,644,399)	\$(4,838,322)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	794,952	740,082
Increase (decrease) in assets:		
Student receivables	(531,340)	(1,441,889)
Accounts receivable	(55,782)	2,707
Private grants receivable	(227,036)	—
Federal and state grants receivable	2,407,541	(735,522)
Inventories	(86,292)	11,557
Prepaid expenses and other assets	(45,873)	29,879
Grants receivable	—	111,129
Increase (decrease) in liabilities:		
Accounts payable	(120,504)	(272,186)
Accrued payroll and other compensation	2,279	269,173
Deferred revenue	641,470	1,373,504
Net cash used in operating activities	<u>\$ (1,864,984)</u>	<u>\$(4,749,888)</u>

See notes to financial statements.

Mid Michigan Community College

Notes to Financial Statements

June 30, 2006

1. Basis of Presentation and Significant Accounting Policies

Reporting Entity

Mid Michigan Community College (the College) is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles as applicable to public colleges and universities outlined in the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, and *Manual for Uniform Financial Reporting - Michigan Public Community Colleges*, 2001.

The College reports as a Business-Type Activity, as defined by GASB Statement No. 35. Business-Type Activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has no component units other than the Mid Michigan College Foundation (the Foundation) which has been blended with the College due to its integration of operations with the College.

Significant accounting policies followed by Mid Michigan Community College are described below to enhance the usefulness of the financial statements to the reader:

Basis of Accounting

The financial statements of Mid Michigan Community College have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met. In accordance with GASB Statement No. 20, the College is required to follow all applicable GASB pronouncements. In addition, the College should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

Mid Michigan Community College
Notes to Financial Statements (continued)

1. Basis of Presentation and Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value, based on quoted market prices.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method.

Capital Assets

Capital assets are recorded at cost, or if acquired by gift, at the fair market value as of the date of acquisition. Library books are recorded using an historically-based estimated value. Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the assets.

Deferred Revenue

Revenue received prior to year end that are related to the next fiscal period are recorded as deferred revenue. For the year ended June 30, 2006, these primarily consist of \$2,296,987 for the fall semester and \$162,149 of unearned revenue for classes which began prior to June 30, 2006, but were not completed until after June 30, 2006. For the year ended June 30, 2005, these primarily consist of \$1,695,623 for the fall semester and \$131,753 of unearned revenue for classes which began prior to June 30, 2005, but were not completed until after June 30, 2005.

Accounts Receivable

Accounts receivable are recorded net of allowance of uncollectible accounts of \$71,349 for the year ended June 30, 2006 and \$60,000 for the year ended June 30, 2005.

Gifts and Pledges

Gifts are recorded when received. Voluntary nonexchange transactions (pledges) are recognized in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 requires recognition of the entire pledge in the first period that use is permitted and all applicable eligibility requirements have been satisfied. Such pledges are recorded at their discounted present value, net of allowance for uncollectible pledges.

Internal Service Activities

Both revenue and expenses related to internal service activities have been eliminated.

Mid Michigan Community College

Notes to Financial Statements (continued)

1. Basis of Presentation and Significant Accounting Policies (continued)

Compensated Absences

Compensated absences represent the accumulated liability to be paid under the College's current vacation pay policy. Under the College's policy, employees earn vacation time based on length of service with the College.

Collections

The College has collections that it does not capitalize. These collections adhere to the College's policy to maintain them for public exhibition, education, or research and protect, keep unencumbered, care for, and preserve them. Generally accepted accounting principles permit collections maintained in this manner.

Unrestricted Net Assets

The College, through Board action, has designated the use of unrestricted net assets as follows:

Designated for future technology outlay	\$ 158,836
Designated for retirement incentives	350,000
Designated for research and program development	450,000
Unrestricted and unallocated	<u>4,985,000</u>
Total unrestricted net assets	<u>\$5,943,836</u>

Reclassifications

Certain 2005 amounts have been reclassified to conform with the current year presentation. In addition, for 2006, a new operating expense category was added for "information technology." In 2005, these costs were included in the category, "institutional administration." The 2005 balance for information technology is not available.

2. Cash and Investments

The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The College's deposits and investments are included on the balance sheet at June 30, 2006 under the following classifications:

	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$4,845,823	\$4,272,735
Short-term investments	2,012,261	1,665,239
Long-term investments	772,681	1,430,596
Total cash and investments	<u>\$7,630,765</u>	<u>\$7,368,570</u>

Mid Michigan Community College

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

The amounts in the previous chart are classified in the following categories:

	2006	2005
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$6,787,200	\$6,719,366
Investments in securities and similar instruments	839,925	645,564
Petty cash and cash on hand	3,640	3,640
Total	<u>\$7,630,765</u>	<u>\$7,368,570</u>

Bank Deposits

The above deposits at June 30, 2006 were reflected in the accounts of the bank (without recognition of checks written but not cleared, or of deposits in transit) at \$7,315,246. Of these bank deposits, \$1,404,996 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

The above deposits at June 30, 2005 were reflected in the accounts of the bank (without recognition of checks written but not cleared, or of deposits in transit) at \$7,740,090. Of these bank deposits, \$1,754,907 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

The College believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the College evaluates each financial institution within which it deposits College funds and assesses the level of risk of each. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments - Excluding Endowment Fund Investments

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing credit risk is to invest surplus funds, excluding Endowment Fund monies, in accordance with the provisions set forth in Michigan Public Act 331 of 1996, as amended through 1997. This Act allows the College to invest in: bonds; bills or notes of the United States or its agencies; obligations of the State of Michigan; corporate commercial paper rated prime by at least one of the standard rating services; bankers acceptances issued by and certificates of deposit of financial institutions which are members of the Federal Deposit Insurance Corporation; mutual funds and investment pools that are composed of authorized investment instruments; and certain repurchase agreements. The College does not have a formal investment policy further limiting its investment options. Endowment Fund investments are subject to a separate investment policy which is discussed in detail later in this footnote.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College does not have a formal policy limiting investment maturities; however, the College manages its exposure to interest rate risk by generally limiting investment maturities to less than three years.

Mid Michigan Community College

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

As of June 30, 2006, the College had the following investments and maturities:

Investment Type	S&P Quality Ratings	Fair Market Value	By Maturity		
			Less Than One Year	1-3 Years	More Than 3 Years
Certificates of deposit	N/A	\$1,945,017	\$1,751,796	\$193,221	
Total investments		<u>\$1,945,017</u>	<u>\$1,751,796</u>	<u>\$193,221</u>	

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the organization's investment in a single issuer. The College does not have a policy limiting the amount the College is allowed to invest in any one issuer; however, the College evaluates each issuer within which it invests College funds and assesses the level of risk of each. The College invests only in those issuers with an acceptable estimated risk level.

The College's investments at June 30, 2006 were invested as follows:

Issuer	Fair Market Value	Percentage of Total
Certificates of Deposits held at :		
Multi-Bank Securities, Inc.	\$ 582,123	30%
The Farwell State Savings Bank	537,355	28%
Bank One-Chase	259,395	13%
Isabella Bank and Trust	566,144	29%
Total investments	<u>\$1,945,017</u>	<u>100%</u>

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the College will not be able to recover the value of the investments that are in the possession of an outside party. The College does not have a formal policy addressing custodial credit risk; however, all of the College's investments are issued in the name of the College. Custody of the College's certificates of deposit remains with the financial institutions from which they were purchased other than those purchased through Multi-Bank Securities, Inc. (MBS). The certificates of deposits held by MBS as custodian are listed under the account name Mid Michigan Community College. In the event that MBS were to become insolvent, the account assets are protected by \$500,000 of coverage through the Securities Investor Protection Corporation (SIPC).

Mid Michigan Community College

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

Endowment Fund Investments

Credit Risk – The College has attempted to mitigate credit risk associated with Mid Michigan Community College Foundation Fund (the Fund) investments by contracting with AG Edwards to manage the investments of the Fund. The College has established a formal investment and distribution policy that AG Edwards must adhere to in their management of the Endowment Fund. The investment and distribution policies of the Fund, as well as the investment returns, are established, monitored and evaluated by the College Foundation’s Investment Committee, which reports directly to the Board of Directors.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Mid Michigan Community College Foundation (the Foundation) does not have a formal policy limiting investment maturities; however, the Foundation manages its exposure to interest rate risk by generally limiting investment maturities to less than ten years.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the organization’s investment in a single issuer. The Fund does not have a policy limiting the amount the Foundation is allowed to invest in any one issuer; however, the Foundation evaluates each issuer within which it invests Foundation funds and assesses the level of risk of each. The Foundation invests only in those issuers with an acceptable estimated risk level.

Custodial Credit Risk – The Fund investment policy does not address the issue of custody. The Fund investments are held by AG Edwards as custodian, and are listed under the account name Mid Michigan Community College Foundation. In the event that AG Edwards were to become insolvent, the account assets are protected by \$500,000 of coverage through the Securities Investor Protection Corporation (SIPC).

Foreign Currency Risk – There are no foreign investments held by the Fund.

At June 30, 2006, the Fund had the following investments and maturities:

Investment Type	S&P Quality Ratings	Fair Market Value	By Maturity			
			Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Corporate bonds	AAA to A	\$427,701	\$ 49,472	\$306,554	\$ 71,675	
Government bonds	N/A	201,231		98,224	103,007	
Mutual Funds	N/A	210,993	210,993			
Total investments		<u>\$839,925</u>	<u>\$260,465</u>	<u>\$404,778</u>	<u>\$174,682</u>	

Mid Michigan Community College

Notes to Financial Statements (continued)

3. Capital Assets

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2006, as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets				
Land and land improvements	\$ 894,904	\$2,417,020		\$ 3,311,924
Infrastructure	369,340	10,525		379,865
Buildings and improvements	16,277,894	1,324,372		17,602,266
Equipment	1,409,328	105,059	\$ 17,900	1,496,487
Perkins equipment	282,526	198,991		481,517
Furniture and fixtures	648,565	99,242		747,807
Library books	1,005,702	11,425		1,017,127
Vehicles	203,272	37,531	28,236	212,567
Computer and software	343,453			343,453
Construction in process	499,323	684,100	466,675	716,748
Total capital assets	21,934,307	4,888,265	512,811	26,309,761
Accumulated depreciation				
Land and land improvements	608,946	25,557		634,503
Infrastructure	201,221	11,943		213,164
Buildings and improvements	8,179,874	539,221		8,719,095
Equipment	1,059,841	83,130	17,900	1,125,071
Perkins equipment	55,478	52,456		107,934
Furniture and fixtures	107,388	44,026		151,414
Library books	966,216	19,226		985,442
Vehicles	172,141	15,164	14,120	173,185
Computer and software	337,392	4,229		341,621
Total accumulated depreciation	11,688,497	794,952	32,020	12,451,429
Capital assets, net	\$10,245,810	\$4,093,313	\$480,791	\$13,858,332

Mid Michigan Community College

Notes to Financial Statements (continued)

3. Capital Assets (continued)

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2005, as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets				
Land and land improvements	\$ 894,904			\$ 894,904
Infrastructure	369,340			369,340
Buildings and improvements	15,783,737	\$ 494,157		16,277,894
Equipment	1,643,993	85,812	\$320,477	1,409,328
Perkins equipment		282,526		282,526
Furniture and fixtures	612,274	36,291		648,565
Library books	997,837	7,865		1,005,702
Vehicles	203,272			203,272
Computer and software	343,453			343,453
Construction in process		499,323		499,323
Total capital assets	20,848,810	1,405,974	320,477	21,934,307
Accumulated depreciation				
Land and land improvements	593,155	15,791		608,946
Infrastructure	189,492	11,729		201,221
Buildings and improvements	7,661,566	518,308		8,179,874
Equipment	1,014,952	67,037	22,148	1,059,841
Perkins equipment		55,478		55,478
Furniture and fixtures	64,882	42,506		107,388
Library books	945,871	20,345		966,216
Vehicles	153,593	18,548		172,141
Computer and software	329,016	8,376		337,392
Total accumulated depreciation	10,952,527	758,118	22,148	11,688,497
Capital assets, net	\$ 9,896,283	\$ 647,856	\$298,329	\$10,245,810

4. Pledges Receivable

As of June 30, 2006, donors to the College have made unconditional promises to give (pledges) of approximately \$2.4 million. Such pledges are discounted to their present value, assuming their respective terms, at a discount rate of 3% at June 30, 2006 and 2005. Pledges deemed uncollectible are charged off in the period that determination is made. At June 30, the collection of pledges receivable is scheduled as follows:

	2006	2005
Less than one year	\$ 588,550	\$ 886,136
One to five years	1,797,766	1,623,024
Total pledges receivable	2,386,316	2,509,160
Less discount	(201,509)	(200,000)
	<u>\$2,184,807</u>	<u>\$2,309,160</u>

Mid Michigan Community College

Notes to Financial Statements (continued)

5. Retirement Plans

Defined Benefit Pension Plan

Plan Description

The College participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan that covers most employees of the College. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MPERS at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to MPERS result from the effects of implementing the School Finance Reform Act. Under these procedures, each College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34% of covered compensation for the year ended June 30, 2006 and 14.87% for the year ended June 30, 2005. Basic plan members make no contributions, but contribute to a Member Investment Plan (MIP) at rates ranging from 3.0% to 4.3% of gross wages. The College's contributions to the MPERS' plan for the year ended June 30, 2006 and 2005 were \$1,084,764 and \$847,561, respectively.

Postretirement Benefits

Under the MPERS' Act, all retirees participating in the MPERS' Pension Plan have the option of continuing health, dental and vision coverage. Retirees having this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 12% of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the College's total contribution to the MPERS' plan discussed above.

Defined Contribution Plan

As an alternative pension option, the College offers all full-time faculty and administrative employees the opportunity to participate in the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Funding for the plan consists of employer and employee contributions of 13.84% and 4.00%, respectively for the year ended June 30, 2006 and 12.37% and 4.00%, respectively, for the year ended June 30, 2005. Benefits are vested immediately. Compensation covered under the plan for the year ended June 30, 2006 was \$473,389, resulting in contributions of \$62,678 and \$18,427 for the College and employees, respectively. Compensation covered under the plan for the year ended June 30, 2005 was \$330,926, resulting in contributions of \$38,714 and \$13,237 for the College and employees, respectively.

Mid Michigan Community College

Notes to Financial Statements (continued)

6. Long-term Liabilities

Long-term liability activity for the year ended June 30, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2006					
Bonds payable	<u>\$830,000</u>		<u>\$95,000</u>	<u>\$735,000</u>	<u>\$95,000</u>
2005					
Bonds payable	<u>\$925,000</u>		<u>\$95,000</u>	<u>\$830,000</u>	<u>\$95,000</u>

The College has outstanding Community College Improvement Bonds, Series 2004B in the amount of \$735,000. Interest on the bonds ranges from 2.0% to 4.0% and is payable semi-annually.

Principal payments on the long-term debt are payable annually on May 1. Maturities on the bonds for the next five years and thereafter are as follows:

Year	Amount
2007	\$ 95,000
2008	100,000
2009	100,000
2010	105,000
2011	110,000
2012 and after	<u>225,000</u>
Total	<u>\$735,000</u>

7. Risk Management

The College is exposed to various risks of loss related to property loss, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The College participates in the Michigan Community College Risk Management Authority risk pool for claims relating to auto, property and liability. The College is insured for medical benefits provided to employees' claims.

The Michigan Community College Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

The College estimates the liability for medical benefit claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in accrued liabilities on the balance sheet.

Mid Michigan Community College

Notes to Financial Statements (continued)

8. Commitments, Contingencies and Capital Outlay

There are no lawsuits in which the College is a defendant.

The State of Michigan has approved the College for a capital outlay project totaling \$16,475,000 to construct a new building in Mt. Pleasant, the Herbert D. Doan Center for Science and Health Technologies, and to renovate parts of the current Mt. Pleasant facility. The new 57,000 square foot building will house classrooms, laboratory facilities and offices. The project was in the planning stages as of June 30, 2006. The construction bid opening was on September 28, 2006 with the bid award authorized by the State of Michigan on October 6, 2006.

The College issued 2006 Community College Facilities Bonds (General Obligation-Limited Tax) totaling \$5.5 million on August 31, 2006 to fund the 50% match required by the State of Michigan for capital outlay projects. The balance of the College's portion of \$8,237,500 will come from the College's net assets. Additionally, as of June 30, 2006 the College had secured gross gift pledges for \$2,386,316 to be collected over the next four years that will be applied to the College's required match. The bonds mature from 2007 to 2021 with principal payments due on May 1st each year and interest rates ranging from 3.7% to 3.95%.

9. Mid Michigan Community College Foundation

Mid Michigan Community College Foundation (the Foundation) is a separate legal entity established as a 501(c)3 corporation to accept, collect, hold and invest donations made for the promotion of educational and cultural activities at and on behalf of the College. At June 30, 2006, the net assets of the Foundation totaled \$1,070,174. The net assets of the Foundation at June 30, 2005 totaled \$949,211. These assets and all activity of the Foundation are included in the financial statements of the College as a blended component unit. The College provides personnel support, supplies and equipment to the Foundation.

Mid Michigan Community College

Consolidating Balance Sheet

June 30, 2006

	Combined Total	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Foundation
Assets							
Current assets:							
Cash and cash equivalents	\$ 4,845,823	\$ 4,102,398			\$ 13,519	\$ 535,793	\$ 194,113
Short-term investments	2,012,261	1,014,027			99,394	638,375	260,465
Property taxes receivable	33,333	33,333					
State appropriations receivable	727,108	727,108					
Student receivables	2,165,256	2,165,256					
Accounts receivable	341,500	206,101			129,055	1,133	5,211
Private grants receivable	32,105						32,105
Federal and state grants receivable	227,036				193,839	33,197	
Inventories	294,411	16,136		\$ 278,275			
Pledges receivable	588,550					588,550	
Prepaid expenses and other assets	320,674	317,635				3,039	
Due from (due to) other funds		(1,878,373)	\$9,138	1,280,505	(40,836)	629,566	
Total current assets	11,588,057	6,703,621	9,138	1,558,780	394,971	2,429,653	491,894
Long-term investments	772,681					193,221	579,460
Pledges receivable, long-term	1,596,257					1,596,257	
Capital assets:							
Land and improvements	3,311,924					3,311,924	
Infrastructure	379,865					379,865	
Buildings and improvements	17,602,266					17,602,266	
Equipment	1,496,487					1,496,487	
Perkins equipment	481,517					481,517	
Furniture and fixtures	747,807					747,807	
Library books	1,017,127					1,017,127	
Vehicles	212,567					212,567	
Computer and software	343,453					343,453	
Construction in process	716,748					716,748	
Accumulated depreciation	(12,451,429)					(12,451,429)	
Capital assets, net	13,858,332					13,858,332	
Total assets	\$27,815,327	\$ 6,703,621	\$9,138	\$1,558,780	\$394,971	\$ 18,077,463	\$1,071,354

Mid Michigan Community College
Consolidating Balance Sheet (continued)

	Combined Total	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Foundation
Liabilities							
Current liabilities:							
Current portion of debt obligations	\$ 95,000					\$ 95,000	
Accounts payable	377,698	\$ 376,518					\$ 1,180
Accrued interest payable	3,893					3,893	
Accrued payroll and other compensation	940,811	940,811					
Deferred revenue	2,585,676	2,459,136			\$126,540		
Total current liabilities	4,003,078	3,776,465			126,540	98,893	1,180
Long-term debt obligations	640,000					640,000	
Total liabilities	4,643,078	3,776,465			126,540	738,893	1,180
Net assets:							
Invested in capital assets, net of related debt	13,123,333					13,123,333	
Restricted for:							
Nonexpendable scholarships	500,825						500,825
Expendable scholarships	619,847				49,318		570,529
Expendable grants	2,249,408				32,485	2,216,923	
Capital projects	735,000					735,000	
Unrestricted	5,943,836	2,927,156	\$9,138	\$1,558,780	186,628	1,263,314	(1,180)
Total net assets	23,172,249	2,927,156	9,138	1,558,780	268,431	17,338,570	1,070,174
Total liabilities and net assets	\$27,815,327	\$6,703,621	\$9,138	\$1,558,780	\$394,971	\$18,077,463	\$1,071,354

Mid Michigan Community College

Consolidating Balance Sheet

June 30, 2005

	Combined Total	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Foundation
Assets							
Current assets:							
Cash and cash equivalents	\$ 4,272,735	\$ 3,719,245			\$ 11,908	\$ 324,933	\$216,649
Short-term investments	1,665,239	500,000				1,015,634	149,605
Property taxes receivable	56,432	56,432					
State appropriations receivable	707,908	707,908					
Student receivables	1,633,916	1,633,916					
Accounts receivable	285,718	112,834			153,378	15,112	4,394
Federal and state grants receivable	2,439,646				1,992,196	447,450	
Inventories	208,119	18,919		\$ 189,200			
Pledges receivable	886,136					886,136	
Prepaid expenses and other assets	274,801	271,661			100	3,040	
Due from (due to) other funds		(1,578,912)	\$4,507	981,947	(1,934,826)	2,527,284	
Total current assets	12,430,650	5,442,003	4,507	1,171,147	222,756	5,219,589	370,648
Long-term investments	1,430,596	489,735			99,606	294,797	546,458
Pledges receivable, long-term	1,423,024					1,390,919	32,105
Capital assets::							
Land and improvements	894,904					894,904	
Infrastructure	369,340					369,340	
Buildings and improvements	16,277,894					16,277,894	
Equipment	1,409,328					1,409,328	
Perkins equipment	282,526					282,526	
Furniture and fixtures	648,565					648,565	
Library books	1,005,702					1,005,702	
Vehicles	203,272					203,272	
Computer and software	343,453					343,453	
Construction in process	499,323					499,323	
Accumulated depreciation	(11,688,497)					(11,688,497)	
Capital assets, net	10,245,810					10,245,810	
Total assets	\$25,530,080	\$ 5,931,738	\$4,507	\$1,171,147	\$ 322,362	\$17,151,115	\$949,211

Mid Michigan Community College
Consolidating Balance Sheet (continued)

	Combined Total	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Foundation
Liabilities							
Current liabilities:							
Current portion of debt obligations	\$ 95,000					\$ 95,000	
Accounts payable	498,202	\$ 498,202					
Accrued interest payable	4,286					4,286	
Accrued payroll and other compensation	938,532	938,532					
Deferred revenue	1,944,206	1,827,377			\$116,829		
Total current liabilities	3,480,226	3,264,111			116,829	99,286	
Long-term debt obligations	735,000					735,000	
Total liabilities	4,215,226	3,264,111			116,829	834,286	
Net assets:							
Invested in capital assets, net of related debt	9,415,810					9,415,810	
Restricted for:							
Nonexpendable scholarships	499,766						\$499,766
Expendable scholarships	522,050				72,634		449,416
Expendable grants	2,367,534				58,362	2,309,172	
Capital projects	830,000					830,000	
Unrestricted	7,679,694	2,667,627	\$4,507	\$1,171,147	74,537	3,761,847	29
Total net assets	21,314,854	2,667,627	4,507	1,171,147	205,533	16,316,829	949,211
Total liabilities and net assets	\$25,530,080	\$5,931,738	\$4,507	\$1,171,147	\$322,362	\$17,151,115	\$949,211

Mid Michigan Community College

Consolidating Statement of Revenue, Expenses, Transfers, and Changes in Net assets

For the year ended June 30, 2006

	Combined Total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Foundation
Revenue								
Operating revenue:								
Tuition and fees (net of scholarship allowance of \$2,147,568)	\$ 5,933,359	\$(2,347,209)	\$ 8,250,746	\$29,822				
Federal grants and contracts	4,133,237					\$4,133,237		
State grants and contracts	776,516					776,516		
Nongovernmental grants	49,688					49,688		
Auxiliary enterprises	2,077,369	(41,764)			\$2,119,133			
Indirect cost recoveries	26,677	(9,036)	35,713					
Miscellaneous	306,150		123,291			182,859		
Total operating revenue	13,302,996	(2,398,009)	8,409,750	29,822	2,119,133	5,142,300		
Expenses								
Operating expenses:								
Instruction	5,275,893	(16,705)	5,134,913			157,685		
Information technology	505,567	(8,353)	513,920					
Public services	876,337	(9,036)	672,867			212,506		
Instructional support	1,842,871		1,581,157			261,714		
Student services	5,448,203	(2,355,562)	1,661,771	25,427	1,731,500	4,375,131		\$ 9,936
Institutional administration	1,591,298	(8,353)	1,596,896					2,755
Operation and maintenance of plant	1,612,274		1,612,274					
Depreciation	794,952						\$ 794,952	
Total operating expenses	17,947,395	(2,398,009)	12,773,798	25,427	1,731,500	5,007,036	794,952	12,691
Operating income (loss)	(4,644,399)		(4,364,048)	4,395	387,633	135,264	(794,952)	(12,691)

Mid Michigan Community College

Consolidating Statement of Revenue, Expenses, Transfers, and Changes in Net assets (continued)

	Combined Total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Foundation
Nonoperating revenue (expenses):								
State appropriations	\$ 4,031,300		\$ 4,031,300					
Property tax levy	2,003,811		2,003,811					
Investment income	238,233		175,705			\$ 4,435	\$ 38,011	\$ 20,082
Unrealized gain (loss) on investments	12,186		(5,505)			(212)	8,687	9,216
Miscellaneous	49,878		17,266	\$ 1,236		(274)	31,650	
Interest on capital asset-related debt	(25,257)						(25,257)	
Gifts	191,643		1,000			47,419	39,868	103,356
Net nonoperating revenue	6,501,794		6,223,577	1,236		51,368	92,959	132,654
Income (loss) before other revenue	1,857,395		1,859,529	5,631	\$ 387,633	186,632	(701,993)	119,963
Other revenue:								
Transfers in (out)			(1,600,000)	(1,000)		(123,734)	1,723,734	1,000
Increase in net assets	1,857,395		259,529	4,631	387,633	62,898	1,021,741	120,963
Net assets at beginning of year	21,314,854		2,667,627	4,507	1,171,147	205,533	16,316,829	949,211
Net assets at end of year	\$23,172,249		\$ 2,927,156	\$ 9,138	\$1,558,780	\$ 268,431	\$17,338,570	\$1,070,174

Mid Michigan Community College

Consolidating Statement of Revenue, Expenses, Transfers, and Changes in Net assets

For the year ended June 30, 2005

	Combined Total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Foundation
Revenue								
Operating revenue:								
Tuition and fees (net of scholarship allowance of \$2,147,568)	\$ 5,504,456	\$(2,147,568)	\$ 7,623,501	\$ 28,523				
Federal grants and contracts	3,837,393		17,949			\$3,819,444		
State grants and contracts	690,283					690,283		
Nongovernmental grants	53,262					53,262		
Auxiliary enterprises	1,873,487	(32,133)			\$1,905,620			
Indirect cost recoveries		(1,811)	1,811					
Miscellaneous	288,962		125,795			163,167		
Total operating revenue	12,247,843	(2,181,512)	7,769,056	28,523	1,905,620	4,726,156		
Expenses								
Operating expenses:								
Instruction	4,911,935	(16,066)	4,792,883			135,118		
Public services	893,907	(1,811)	596,074			299,644		
Instructional support	1,487,592		1,290,146			197,446		
Student services	5,033,951	(2,155,602)	1,522,082	56,082	1,549,949	4,048,310		\$ 13,130
Institutional administration	2,127,489	(8,033)	2,134,513					1,009
Operation and maintenance of plant	1,891,209		1,493,614				\$ 397,595	
Depreciation	740,082						740,082	
Total operating expenses	17,086,165	(2,181,512)	11,829,312	56,082	1,549,949	4,680,518	1,137,677	14,139
Operating income (loss)	(4,838,322)		(4,060,256)	(27,559)	355,671	45,638	(1,137,677)	(14,139)

Mid Michigan Community College

Consolidating Statement of Revenue, Expenses, Transfers, and Changes in Net assets (continued)

	Combined Total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Foundation
Nonoperating revenue (expenses):								
State appropriations	\$ 4,038,622		\$ 4,038,472				\$ 150	
Property tax levy	1,885,260		1,885,260					
Investment income	158,226		86,086			\$ 1,713	43,541	\$ 26,886
Unrealized gain (loss) on investments	23,967		(2,726)			322	4,729	21,642
Miscellaneous	63,887		63,733	\$ 154				
Interest on capital asset-related debt	(24,270)						(24,270)	
Gifts	2,437,826		10,950			26,864	2,309,171	90,841
Net nonoperating revenue	8,583,518		6,081,775	154		28,899	2,333,321	139,369
Income (loss) before other revenue	3,745,196		2,021,519	(27,405)	\$ 355,671	74,537	1,195,644	125,230
Other revenue:								
Additions to permanent endowments	2,797							2,797
Transfers in (out)			(2,000,000)	(2,500)			1,905,722	96,778
Total other revenue	2,797		(2,000,000)	(2,500)			1,905,722	99,575
Increase in net assets	3,747,993		21,519	(29,905)	355,671	74,537	3,101,366	224,805
Net assets at beginning of year	17,566,861		2,646,108	34,412	815,476	130,996	13,215,463	724,406
Net assets at end of year	<u>\$21,314,854</u>		<u>\$ 2,667,627</u>	<u>\$ 4,507</u>	<u>\$1,171,147</u>	<u>\$ 205,533</u>	<u>\$16,316,829</u>	<u>\$949,211</u>